

DEPARTMENT OF TREASURY

OFFICE OF THE INSPECTOR GENERAL

FISCAL YEAR 2006

CONGRESSIONAL BUDGET SUBMISSION

OFFICE OF INSPECTOR GENERAL

FY 2006 PERFORMANCE BUDGET REQUEST

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SECTION 1 - STRATEGIC CONTEXT

STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN

For the FY 2006, this document identifies requested funding that should allow the Office of Inspector General (OIG) to achieve its goals.

Mission

The Treasury OIG mission, based directly on responsibilities established in law, is to:

- Conduct and supervise audits, evaluations, and investigations relating to Treasury programs and operations.
- Promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations (*Strategic Goal 1*).
- Provide leadership and promote policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations (*Strategic Goal 2*).
- Keep the Secretary of the Treasury and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations, and the need for and progress of corrective actions (*Strategic Goal 3*).

Key Strategic Issues

The OIG requests an increase in resources to restore the audit and investigations programs to meet the requirements of the Inspector General Act.

Audit:

This program performs audits, attestation engagements, and evaluations that: (1) are mandated by law, (2) support the President's Management Agenda, and (3) address areas of high risk in Treasury programs and operations.

Investigations:

This program performs investigative activities relating to complaints of fraud, waste, and abuse in Treasury programs and operations.

OIG SUPPORT OF TREASURY GOALS AND OBJECTIVES (TABLE 1.1)

This table shows the relationship of the OIG strategic and performance goals to Treasury's Strategic Plan:

Treasury Strategic Goal: Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5).		
Treasury Strategic Objective	OIG Strategic Goals	OIG Performance Goals Linked to OIG Strategic Goals
Protect the integrity of the Department of the Treasury (M5A)	<p>Promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations</p> <p>Provide leadership and promote policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations.</p> <p>Keep the Secretary of the Treasury and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations, and the need for and progress of corrective actions.</p>	<p><u>Audits</u></p> <ol style="list-style-type: none"> 1. Complete 53 audits and evaluations. 2. Complete 100 percent of audits required by statute by the required date. <p><u>Investigations</u></p> <ol style="list-style-type: none"> 3. Refer 72 investigations for criminal prosecution, civil litigation, or corrective administrative action

Important: While the Treasury Strategic Plan lists OIG goals under Treasury goal M5 and objective M5A, OIG programs support the achievement of all Treasury non-IRS goals and objectives.

APPROPRIATION LANGUAGE SHEET & JUSTIFICATION OF LANGUAGE CHANGES

DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Federal Funds

General and Special Funds:

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, not to exceed \$2,000,000 for official travel expenses, including hire of passenger motor vehicles; and not to exceed \$100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury, [\$16,500,000] \$16,722,000, of which not to exceed \$2,500 shall be available for official reception and representation expenses. (*Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.*)

SECTION 2 – THE PERFORMANCE BUDGET

SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (TABLE 2.1)

(Dollars in Thousands)			
TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Enacted	FY 2006 Estimate
TREASURY GOAL: Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5)			
Appropriated Budget Obligations	\$12,923	\$16,368	\$16,722
Appropriated Full-time Equivalents (FTE)	99	115	115
Reimbursable Budget Obligations	\$1,272	\$2,342	\$2,342
Reimbursable Full-time Equivalents (FTE)	7	6	6
Total Budget Obligations	\$14,195	\$18,710	\$19,064
Total Full-time Equivalents (FTE)	106	121	121
 <i>Objective : Protect the integrity of the Department of the Treasury (M5A)</i>			
Appropriated Budget Obligations	\$12,923	\$16,368	\$16,722
Direct Full-time Equivalents	99	115	115
Reimbursable Budget Obligations	\$1,272	\$2,342	\$2,342
Reimbursable Full-time Equivalents	7	6	6
<i>Total Budget Obligations</i>	<i>\$14,195</i>	<i>\$18,710</i>	<i>\$19,064</i>
<i>Total Full-time Equivalents</i>	<i>106</i>	<i>121</i>	<i>121</i>

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ANALYSIS OF FY 2005 APPROPRIATED LEVEL (TABLE 2.2)

	FTE	Amount (\$000)
FY 2005 President's Budget	117	\$14,158
Congressional Reission	(2)	(132)
Congressional Adjustments		2,342
FY 2005 Estimate	115	16,368

DIGEST OF FY 2006 BUDGET ESTIMATES BY PROGRAM (TABLE 2.3)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Enacted Budget		FY 2006 Budget Estimate		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Appropriated Resources (all sources)												
1. Audits	72	\$9,434	81	\$11,299	81	\$11,476	0	\$177			0	\$177
2. Investigations	27	\$3,489	34	\$5,069	34	\$5,246	0	\$177			0	\$177
Total, Appropriated Resources	99	\$12,923	115	\$16,368	115	\$16,722	0	\$354	0	\$0	0	\$354
Adjustments (+/-):												
Unobligated balance lapsing		(\$19)										
Offsetting Collections - Reimbursable 1/	7	\$1,272	6	\$2,342	6	\$2,342						
Offsetting Collections - User Fees 1/												
Transfers In/Out (all sources)												
Balances of previous -year authority applied (multi-year/no-year accounts)												
Subtotal, Adjustments	7	\$1,253	6	\$2,342	6	\$2,342	0	\$0	0	\$0	0	\$0
Appropriated Program Operating Level												
1. Audits	76	\$10,051	84	\$12,470	84	\$12,647	0	\$177			0	\$177
2. Invetigations	30	\$4,125	37	\$6,240	37	\$6,417	0	\$177			0	\$177
Total, Appropriated Program Operating Level	106	14,176	121	\$18,710	121	\$19,064	0	\$354	0	\$0	0	\$354

SECTION 2B – EXPLANATION OF FY 2006 BUDGET INCREASES AND DECREASES

In FY 2006, the OIG requests \$16,722,000 in appropriated funding supporting 115 FTE. This is an increase of \$354,000 over the FY 2005 appropriation and \$2,564,000 over the amount requested in the FY 2005 President's Budget.

The requested resources will allow for OIG audit and investigative capabilities. The requested appropriated funding and FTE figures represent the funding and staffing levels needed to provide audit and investigative oversight to the Treasury Department.

SUMMARY EXPLANATIONS OF FY 2006 REQUESTED CHANGES BY ACTIVITY (TABLE 2.6)

(Dollars in Thousands)

Requested Changes	Audits		Investigations		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
1. PROGRAM REDUCTIONS:	0	0	0	0	0	0
SUBTOTAL, PROGRAM REDUCTIONS	0	0	0	0	0	0
2. PROGRAMS INCREASE:						
NONE	0	0	0	0	0	0
SUBTOTAL, PROGRAM INCREASES / REINVESTMENTS	0	0	0	0	0	0
3. TOTAL ADJUSTMENTS TO BASE:						
a. Adjustments Necessary to Maintain Current Levels:	0	177	0	177	0	354
b. Annualization of FY 2005 Initiatives	0	0	0	0	0	0
c. Transfers	0	0	0	0	0	0
d. Non-Recurring Costs/Other Adjustments	0	0	0	0	0	0
SUBTOTAL, TOTAL ADJUSTMENTS TO BASE:	0	177	0	177	0	354
TOTAL CHANGES, BUDGET AUTHORITY	0	177	0	177	0	354

SUMMARY OF PROGRAM INCREASES AND DECREASES

TOTAL REQUESTED PROGRAM CHANGES	\$0 / 0 FTE
1. PROGRAM REDUCTIONS	\$0 / 0 FTE
2. PROGRAM INCREASE	\$0 / 0 FTE
3. TOTAL ADJUSTMENTS TO BASE	\$0 / 0 FTE
Adjustments Necessary to Maintain Current Levels	+\$354,000 / 0 FTE
a. Proposed Pay Raise	+\$151,000 / 0 FTE
b. Non-Pay Inflation	+\$109,000 / 0 FTE
c. Pay Raise Annualization	+\$94,000 / 0 FTE

SECTION 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET PROGRAM

The OIG's FY 2006 performance budget aligns resources with performance. OIG has two budget programs: 1) Audit, 2) Investigations. For each, the OIG has provided budget and performance information to explain historical trends, performance challenges, and expectations.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE

Budget Program: Audit

The Office of Audit conducts or supervises financial, IT, program, and contract audits, attestation engagements, and evaluations to improve the quality, reduce the cost, and ensure the integrity of Treasury's operations. Employees perform this work in compliance with the standards and guidelines established by the Comptroller General of the United States, the President's Council on Integrity and Efficiency (PCIE), and other professional organizations. Program work is: (1) mandated by law; (2) requested by management, Office of Management and Budget (OMB), or members of Congress; or (3) self-initiated through an annual planning process. Auditors and evaluators complete most work. Contractors or other agencies, under Office of Audit supervision, complete certain projects, principally annual financial audits, the annual Federal Information Security Management Act (FISMA) independent evaluation, and contract audits.

Led by the Assistant Inspector General for Audit, the program has two components: 1) Financial Management and IT Audit and 2) Program Audit.

Under a Deputy Assistant Inspector General for Financial Management and Information Technology (IT) Audit, two Directors are responsible for audits or contractor supervision performed by Washington, D.C. staff. The Directors also propose audits and evaluations in assigned functional areas to ensure that annual work plans include the highest priority work.

- Director, Consolidated Financial Audit is responsible for providing contractor supervision for the annual audit of Treasury's consolidated financial statements pursuant to the Chief Financial Officers Act and the Government Management Reform Act. The Director is also responsible for audits of other components or activities which are material to Treasury or are required to be audited by other statutes. The Director manages the annual financial audit of the Mint Gold and Silver reserves performed by OIG staff, and coordinates with the U.S. General Accounting Office on its audits of the Internal Revenue Service (IRS) and the Public Debt. The Director provides technical oversight and direction for procurement of contracted financial audits, and coordinates funding for these audits with Departmental Offices.

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- Director, IT Audit manages audits by OIG staff of Treasury's acquisition, use, security controls, and disposal of complex computer and other IT systems, and the overall management of IT as a capital and managerial asset. The Director also provides contractor oversight of the annual independent evaluation required by FISMA of the Department's information security policies and practices for non-national security systems, and manages the annual FISMA evaluation by OIG staff of the Department's national security systems. IT audits and evaluations determine whether systems are effective, efficient, productive, and economical; contain adequate safeguards to protect data integrity and data processing; support Treasury needs; and are developed and operated in accordance with applicable policies, standards, and procedures.

Under a Deputy Assistant Inspector General for Program Audit, four Directors manage program audits and evaluations performed by Washington, D.C., and field staff and coordinate audit planning for functional areas to ensure that annual work plans include the highest priority work.

- Director, Banking and Fiscal Service Audit provides nationwide leadership for program audits and evaluations of the Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Community Development Financial Institutions (CDFI) Fund, the Executive Office for Terrorist Financing and Financial Crime, the Office of Foreign Assets Control (OFAC), Financial Crimes Enforcement Network (FinCEN), other banking-related Treasury components, Financial Management Service (FMS), and Bureau of the Public Debt (BPD). Also, the Director oversees Single Audit Act requirements pertaining to Treasury's grant activities. The audits and evaluations are designed to identify opportunities and make recommendations to: improve the effectiveness, reduce the costs, and ensure the integrity of the Treasury's regulation of national banks and thrifts. Audits also deal with: provision of financial assistance to distressed communities; blocking of foreign assets and other activities to combat terrorist financing and money laundering, including implementation of the USA PATRIOT Act; operation of the Government's collection and payments systems; management of the public debt; collection of delinquent debt owed to the Government; and administration of various grant programs.
- Director, Revenue/Procurement/Manufacturing Audit provides nationwide leadership for (1) program audits and evaluations of the Alcohol and Tobacco Tax and Trade Bureau (TTB), Bureau of Engraving and Printing (BEP), Mint, and Treasury Departmental Offices, as well as for procurement activities at all Treasury bureaus and Offices; and (2) contractor supervision of pre-award, cost incurred, and other contract audits requested by Treasury bureaus. These audits and evaluations are designed to identify opportunities and make recommendations to improve the effectiveness, reduce the costs, and ensure the integrity of the collection of alcohol and tobacco excise taxes and related fees; procurement activities; and production of currency and coins.
- Directors, Eastern and Western Field Audit Offices leads assigned audits and evaluations at Treasury field locations across the country. The Eastern (Boston) office has extensive expertise in the area of revenue programs. The Western (San Francisco) office has extensive expertise in the areas of bank regulation and Treasury's responsibilities under the Bank Secrecy Act and USA PATRIOT Act.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1)

Treasury Goal: Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5).							
AUDIT BUDGET PROGRAM	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual 1/	Actual 1/	Actual	Planned	Actual	Estimate	Estimate
Total Operating Level (direct and reimbursable)	\$21,009	\$22,721	\$7,251	\$8,529	\$10,051	\$12,470	\$12,647
Total FTE (direct and reimbursable)	175	181	57	76	76	84	84
Treasury Objective: Protect the integrity of the Department of the Treasury (M5A)							
OIG Goals: Promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations. Provide leadership and promote policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations. Keep the Secretary of the Treasury and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations, and the need for and progress of corrective actions.							
1. Number of completed audits and evaluations	97	130	116	48	49	53	53
2. Percent of statutory audits completed by the required date	100%	100%	100%	100%	92%	100%	100%
Discontinued: Percent of audits and evaluations sampled that meet applicable standards	100%	100%	100%	100%	100%	Discontinued	Discontinued
1/ Totals include amounts prior to Homeland Security divestiture							

EVALUATION OF FY 2005 PROGRAM PERFORMANCE PLAN COMPARED TO PRIOR YEAR

The FY 2005 performance plan provides for 53 audits and evaluations to be completed and 100 percent of statutory audits to be complete by the required date. The FY 2004 performance plan provided for 48 audits and evaluations to be completed, with the other measure the same. For FY 2004, the Audit Program completed 49 audits and evaluations and met required dates for mandated audits.

The OIG audit of the Department's FY 2003 financial statements was completed by an accelerated date of November 14, 2004, or 2 ½ months ahead of the required date. The FISMA report was issued 3 months after the required date established by OMB. For the FY 2004 financial audit and FISMA requirements, the OIG will contract out the majority of this work, with current financial and IT audit staff supervising this work.

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The Audit Program is responsible for conducting audits and evaluations of 8 Treasury bureaus and a number of significant Treasury program offices and funds. The bureaus carry out a broad array of missions, including: (1) maintaining government-wide financial accounting, collections, and payment systems (FMS); (2) managing and accounting for the public debt (BPD); (3) regulating the largest banks in the nation, as well as all thrift institutions (OCC and OTS); (4) deterring terrorist financing and other financial crimes through enforcement and analysis of currency transaction and suspicious financial activity reporting under the Bank Secrecy Act and USA PATRIOT Act (FinCEN, OCC, and OTS); (5) regulating the alcohol and tobacco industries, including the collection of excise taxes on alcohol and tobacco products (TTB); (6) collecting delinquent debt owed the Government (FMS); (7) manufacturing Federal Reserve Notes, coins, and other documents (BEP and Mint); and (8) safeguarding the Nation's gold and silver reserves (Mint). The Treasury program offices carry out many significant activities, including: (1) managing economic sanctions and embargo programs against targeted foreign governments and groups (OFAC); (2) Community Development Financial Institution (CDFI) Fund ; (3) administering a loan guarantee program to assist the airline industry (Air Transportation Stabilization Board (ATSB)); (4) administering a terrorism risk insurance program (Office of Domestic Finance); (5) managing an asset forfeiture program to assist law enforcement (Treasury Executive Office for Asset Forfeiture); and (6) administering the Exchange Stabilization Fund (ESF) and U.S. investments in multilateral development banks and the International Monetary Fund, as well as other foreign assistance programs (Office of International Affairs). These activities involve the disbursement or management of billions of dollars.

Also, the Audit Program is responsive to requests by senior Treasury officials and the Congress for specific work. Over the last year, the OIG performed a major body of work in response to congressional interest in the area of suspicious activity reporting by financial institutions through the Patriot Act Communications System. The OIG also performed a special inquiry at the request of senior management related to intelligence information sharing within the Department. While certain audit mandates are recurring, the Congress has in recent years increasingly required other work by the OIG office through Appropriations Acts. For example, the FY 2004 Appropriations Act mandated that the OIG perform audits of the Treasury Building and Annex Repair and Restoration (TBARR) project and the Mint's private/public competition for the production of coin blanks.

The Audit Program has established the following priorities:

- Work Mandated by Law

The Audit Program supervises the annual audit performed by a contracted independent public accounting (IPA) firm of the Treasury consolidated financial statements and performs the annual audit of the Mint gold and silver reserves with OIG staff. It also supervises: (1) IPA audits of financial statements or schedules prepared by BEP, Exchange Stabilization Fund, Federal Financing Bank, OCC, Mint, Treasury Forfeiture Fund, Office of the District of Columbia Pensions, CDFI Fund, and OTS; (2) IPA financial audit work of certain material programs and activities of BPD and FMS; and (3) IPA audit work related to the Government Trust

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Funds managed by BPD. The annual Treasury financial audits under the OIG's supervision also reports on whether Treasury financial management systems comply with federal financial management systems requirements, applicable federal accounting standards, and the standard general ledger at the transaction level as required by the Federal Financial Management Improvement Act (FFMIA). FFMIA also requires inclusion of instances when Treasury has not met targets in making its accounting systems compliant with FFMIA requirements in the semiannual report to Congress.

Another law, FISMA, requires the OIG or an IPA under the OIG's supervision, to evaluate Treasury's information security program and practices. The annual evaluation includes: (1) testing of the effectiveness of information security policies, procedures, and practices of Treasury information systems; (2) an assessment of Treasury's compliance with FISMA requirements and related information security policies, procedures, standards and guidelines; and (3) separate presentations for information security relating to national security systems. Beginning with the FY 2004 reporting requirement, an IPA under the OIG's supervision performs the evaluation for non-national security systems. OIG auditors perform the evaluation of Treasury's national security systems.

As another mandate, the Federal Deposit Insurance Corporation Improvement Act of 1991, requires OIG to perform material loss reviews (MLR) for failed financial institutions regulated by the OCC or OTS that result in material losses to a deposit insurance fund. The OIG must also report quarterly on the timeliness of the Department's payments for District of Columbia water and sewer services. Additionally, recent appropriations language has required the OIG to report annually on Treasury's policy for implementing the Rural Development Act of 1972.

- Work Supporting the President's Management Agenda (PMA)

The OIG recognizes that the PMA parallels the strategic goal to promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations. Accordingly, the Audit Program plans to audit Treasury's progress in addressing the PMA's five government-wide initiatives (strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration).

- Work in Areas of High Risk in Treasury Programs and Operations

The Audit Program will undertake audits to assess high-risk programs and operations, to include reviewing the Department's progress in addressing material weaknesses, significant vulnerabilities, and significant new Treasury programs and initiatives. The specific audits to be undertaken are identified through an audit planning process that considers previously reported findings by the OIG, observations and suggestions by OIG personnel, requests by Treasury officials, Treasury's budget priorities, and Congressional activity/interest.

FY 2006 PERFORMANCE PLAN

For FY 2006 the OIG requests \$354,000 to maintain current levels. With approval of the requested resources, the Audit Program will complete 53 audits and evaluations and complete 100 percent of statutory audits by the required date. The Audit Program's first priority is mandatory audit work. Audit Program resources will leave limited room for self-initiated work and further examination of deficiencies identified through mandatory work.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE

Budget Program: Investigations

The Office of Investigations provides leadership and promotes policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud or related financial crimes within or directed against Treasury. Criminal investigators perform this work in compliance with the standards and guidelines established by PCIE, the Attorney General of the United States, federal law and regulations, and other professional organizations. Investigations work is: (1) mandated by law; (2) requested by management, OMB, or members of Congress; or (3) self-initiated based on developed leads. Criminal investigators with the assistance of law enforcement specialists complete the work of this office.

Led by the Assistant Inspector General for Investigations, the program has two divisions: 1) Investigations and 2) Operations.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1)

Treasury Goal: Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5).							
INVESTIGATIONS BUDGET PROGRAM	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual 1/	Actual 1/	Actual	Planned	Actual	Estimate	Estimate
Total Operating Level (direct and reimbursable)	\$11,818	\$12,703	\$3,736	\$4,394	\$4,125	\$6,240	\$6,417
Total FTE (direct and reimbursable)	98	101	30	28	30	37	37
Treasury Objective: Protect the integrity of the Department of the Treasury (M5A)							
OIG Goals: Promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations. Provide leadership and promote policies designed to prevent and detect fraud, waste, and abuse in Treasury programs and operations. Keep the Secretary of the Treasury and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations, and the need for and progress of corrective actions.							
3. Number of investigations referred for criminal prosecution, civil litigation, or corrective administrative action	16	15	26	15	23	72*	72*
Discontinued: Percent of investigations sampled that meet PCIE standards	100%	100%	100%	100%	100%	Discontinued	Discontinued
Discontinued: Number of investigations referred for criminal prosecution and/or civil litigation	7	5	9	5	10	Discontinued	Discontinued
Discontinued: Number of investigations referred for corrective administrative action	9	10	15	10	10	Discontinued	Discontinued
1/ Totals include amounts prior to Homeland Security divestiture							

* Prior to FY 2005, this measure included referrals sent to bureau and departmental management for known, potential, and identified deficiencies in Treasury programs and operations. This modification adds referrals for self-assessments and corrective actions that management deems appropriate.

EVALUATION OF FY 2005 INVESTIGATIONS PERFORMANCE PLAN COMPARED WITH FY 2004

The FY 2005 performance plan provides for the referral of twelve investigations for criminal prosecution and/or civil litigation; and included from a measure adjusted in FY 2005, the referral of 60 Investigations for corrective administrative action. (In previous years, this

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measure included referrals sent to bureau and departmental management for known, potential, and identified deficiencies in Treasury programs and operations. This modification adds referrals for self-assessments and corrective actions that management deems appropriate.) For FY 2004, the Investigations Program achieved its goal, referring more than 10 investigations for criminal prosecution or civil litigation and 10 investigations for corrective administrative action.

INVESTIGATIONS FY 2006 PERFORMANCE PLAN

The Investigations Program will work to refer at least 12 investigations for prosecution and 60 routine misconduct investigations or suspected weaknesses or vulnerabilities to management for administrative adjudication. Investigations work will focus on identifying vulnerabilities through ongoing investigations and proactive operations. The Office of Investigations will continue to liaison with individuals throughout Treasury on hundreds of suspect and/or known criminal violations not being reported for investigation.

The mainstay of Investigations has and will continue to involve criminal employee misconduct and non-criminal matters. It has accounted for about one-third to slightly more than one-half of the OI caseload over the past five fiscal years. However, the remaining caseload signals an increase in the breadth of investigative workload. For example, while the Office of Investigations still investigates theft and misuse of funds or government property, it has seen a diversification in the nature of these investigations to include more complex fraud and white-collar or other financial crimes. OIG investigative activities for FY 2006 account for past workload while adjusting for future challenges.

SECTION 4 - SUPPORTING MATERIAL**DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY CATEGORY (TABLE 4.1)**

Position Category	Actual FY 2004	Estimated		Changes
		FY 2005	FY 2006	
Statutory executive positions	1	1	1	-
Policy/program professional staff	89	105	105	-
Administrative staff	3	3	3	-
Secretarial and clerical	5	5	5	-
Crafts and custodial	-			-
Subtotal	98	114	114	-
Part-time & temporary full-time equivalent positions	1	1	1	-
Total full-time equivalent positions	99	115	115	-

DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY GRADE (TABLE 4.2)

Grade	FY 2004 Actual	FY 2005 Estimated Operating Level	FY 2006 Budget Estimate	Changes
Executive Level 1				-
Executive Level 2				-
Executive Level 3	1	1	1	-
Executive Level 4				-
Executive Level 5				-
Subtotal	1	1	1	-
Senior Executive Service Pay Band	7	7	7	-
Subtotal	7	7	7	-
GS-15	8	8	8	-
GS-14	19	19	19	-
GS-13	29	36	36	-
GS-12	7	7	7	-
GS-11	3	3	3	-
GS-10	-	-	-	-
GS-09	9	11	11	-
GS-08	5	5	5	-
GS-07	5	8	8	-
GS-06	2	2	2	-
GS-05	3	7	7	-
GS-04	1	1	1	-
GS-03	-	-	-	-
GS-02	-	-	-	-
GS-01	-	-	-	-
Subtotal	91	107	107	-
Other	-	-	-	-
Total full-time equivalent positions	99	115	115	-

EXPLANATION OF PROPOSED FY 2005 OPERATING BUDGET (TABLE 4.3)

(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget as Amended		+ or - Congressional Action		FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Recission		FY 2005 Proposed Operating Level	
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE
11.1 Full-Time Permanent Positions	8,500	116	1,398		9,898	116			(132)	(2)	9,766	114
11.1 Other than Full-Time Permanent Positions		1				1						1
11.5 Other Personnel Compensation												
11.8 Special Personal Services Payments												
11.9 Personnel Compensation (Total)												
12.0 Personnel Benefits	2,000		879		2,879						2,879	
13.0 Ben. Former Personnel												
21.0 Travel	500		100		600						600	
22.0 Transportation of Things												
23.1 Rental Paym'ts to GSA	1,250		117		1,367						1,367	
23.2 Rent Paym'ts to Others												
23.3 Commun., Util., & Misc	500		(127)		373						373	
24.0 Printing and Reprod	22		(18)		4						4	
25.1 Advisory & Assistance Services												
25.2 Other Services	150		(57)		93						93	
25.3 Purchase of Goods/Serv. from Govt. Accts	286		364		650						650	
25.4 Operation & Maintenance of Facilities	250		(250)									
25.5 Research & Development Contracts												
25.6 Medical Care			40		40						40	
25.7 Operation & Maintenance of Equipment	300		(259)		41						41	
25.8 Subsistence & Support of Persons												
26.0 Supplies and Materials	100		55		155						155	
31.0 Equipment	300		100		400						400	
32.0 Lands and Structures												
33.0 Investments & Loans												
41.0 Grants, Subsidies												
42.0 Insur. Claims & Indemn												
44.0 Refunds												
TOTAL BUDGET AUTHORITY	14,158	117	2,342		16,500	117	-	-	(132)	(2)	16,368	115
<u>PROGRAMS</u>												
1) Audit	10,194	82	1,171		11,365	82			(66)	(1)	11,299	81
2) Investigations	3,964	35	1,171		5,135	35			(66)	(1)	5,069	34
TOTAL BUDGET AUTHORITY	14,158	117	2,342		16,500	117	-	-	(132)	(2)	16,368	115

STANDARD OBJECT CLASSIFICATION SCHEDULE – DIRECT OBLIGATIONS (TABLE 4.4)

(Dollars in Thousands)

Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions	7,920	9,766	9,821	55
Positions other than permanent	119		245	245
Other personnel compensation	319		600	600
Special personal services payments				-
Total personnel compensation	8,358	9,766	10,666	900
Civilian personnel benefits	1,879	2,879	2,045	(834)
Benefits to former personnel	13			-
Travel and transportation of persons	268	600	600	-
Transportation of things				-
Rents, communications and utilities:				
Rental payments to GSA.	1,320	1,367	1,652	285
Rental payments to others	19			-
Other rents, communications and utilities	177	373	404	31
Printing and reproduction	3	4		(4)
Other services:				
Advisory & assistance services				-
Other services.	127	93	100	7
Purchase of goods/services from Govt. accts.	595	650	550	(100)
Operation & maintenance of facilities			100	100
Research & development contracts				-
Medical care.	19	40		(40)
Operation & maintenance of equipment	60	41	67	26
Subsistence & support of persons				-
Supplies and materials	26	155	135	(20)
Equipment	5	400	403	3
Lands and structures				-
Insurance claims and indemnities				-
Interest and Dividends				-
Confidential expenditures				
Total obligations.	12,869	16,368	16,722	354
Unobligated balance available, SOY			-	-
Unobligated balance available, EOY			-	-
Unobligated balance expiring			-	-
Total enacted appropriations and budget estimate	12,869	16,368	16,722	354

VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT

For each performance measure, definition as well as verification and validation information is provided. Based on the verification and validation information, each measure's data is rated as having either "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or "Questionable or Unknown Accuracy."

BUDGET PROGRAM: AUDIT

Performance Measure: Number of completed audits and evaluations.

Definition: Audits, attestation engagements, and evaluations: (1) promote economy, efficiency, and effectiveness of Treasury programs and operations; (2) prevent and detect fraud, waste, and abuse in those programs and operations; (3) keep the Secretary and the Congress fully informed; and (4) help the Federal government to be accountable to the public.

How Data is Captured: OIG audits, attestation engagements, and evaluations result in sequentially numbered written products.

How the data is verified and validated to make certain it is accurate: Official audit files support the performance data.

Data Accuracy: Reasonable Accuracy.

Performance Measure: Percent of statutory audits completed by the required date.

Definition: Legislation mandating certain audit work generally prescribes, or authorizes OMB to prescribe, the required completion date for recurring audits and evaluations, such as those for annual audited financial statements. For other types of mandated audit work, such as a Material Loss Review (MLR) of a failed financial institution, the legislation generally prescribes a timeframe to issue a report (6 months for an MLR, as an example) from the date of an event that triggers the audit.

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How Data is Captured: The date we issue an audit, attestation engagement, or evaluation report is printed on the cover.

How the data is verified and validated to make certain it is accurate: Official audit files and the dates on the reports themselves support the performance data.

Data Accuracy: Reasonable Accuracy.

Discontinued Performance Measure: Percent of audits and evaluations sampled that meet applicable standards.

Definition: The IG Act requires the Office of Audit to conduct OIG audits and attestation engagements in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We conduct OIG evaluations in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency. These standards ensure the work is objective and credible.

How Data is Captured: We will continue the quality assurance program, which reviews sample audits, attestation engagements, and evaluations completed during the year for adherence to applicable standards. We report review results and provide overall conclusions.

How the data is verified and validated to make certain it is accurate: Experienced auditors independent of the sampled work conduct the reviews. The AIGA reviews the results and maintains workpapers in official audit files to support the reported performance. Pursuant to *Government Auditing Standards*, another agency OIG reviews Treasury OIG quality control every 3 years by testing a sample of completed audits for adherence to standards. The reviewing OIG will typically compare the results of its review of a completed audit to the results of an internal quality review of the completed audit, if done, and comment on any differences. We report the results of these external reviews.

Data Accuracy: Reasonable Accuracy.

BUDGET PROGRAM: INVESTIGATIONS

New Performance Measure: Number of investigations referred for criminal prosecution, civil litigation, or corrective administrative action.

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of Conduct, Federal Acquisition Regulations, or other administrative standards, which do not

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rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.

How the data is captured: This data will be retrieved from the IDMS system.

How the data is verified to make certain it is accurate: All case files from FY 2003 and FY 2009 will be reviewed to ensure that the IDMS data is correct and supported by documentation.

Data Accuracy: Reasonable Accuracy.

Discontinued Performance Measure. Percent of investigations sampled that meet PCIE standards.

Definition: The President's Council on Integrity and Efficiency (PCIE) has issued qualitative standards regarding the planning, execution, and reporting of investigations, as well as the information management system for investigations.

How data is captured: Information regarding the planning of investigations will be documented on the Investigative Plan, which will be completed prior to initiating investigations. Information regarding the execution of investigations will be documented in each case file as well as a final Report of Investigation documenting the findings of the investigation. Administrative data will be maintained in the Investigations Data Management System (IDMS).

How the data is verified and validated to make certain it is accurate: Prior to initiating investigative activity, management will review investigative plans and management will conduct case reviews quarterly to ensure proper execution of the investigative plan. Management will also review the Report of Investigation prior to dissemination. Senior investigators will be designated to ensure all pertinent data from the investigation is entered into IDMS.

Data Accuracy: Reasonable accuracy.

Discontinued Performance Measure: Number of investigations referred for criminal prosecution and/or civil litigation.

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department for prosecution in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously.

How the data is captured: This data will be retrieved from the IDMS system.

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How the data is verified to make certain it is accurate: All case files from FY 2003 and FY 2009 will be reviewed to ensure that the IDMS data is correct and supported by documentation.

Data Accuracy: Reasonable Accuracy.

Discontinued Performance Measure (Adjusted): Number of Investigations referred for corrective administrative action

Definition: Some investigations will identify violations of the Ethical Standards of Conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct. In previous years, this measure included referrals sent to bureau and departmental management for known, potential, and identified deficiencies in Treasury programs and operations. This modification adds referrals for self-assessments and corrective actions that management deems appropriate. These findings will be documented in the Report of Investigation (ROI).

How the data is captured: This data will be retrieved from the IDMS system.

How the data is verified to make certain it is accurate: All case files from FY 2003 and FY 2009 will be reviewed to ensure that the IDMS data is correct and supported by documentation.

Data Accuracy: Reasonable Accuracy.